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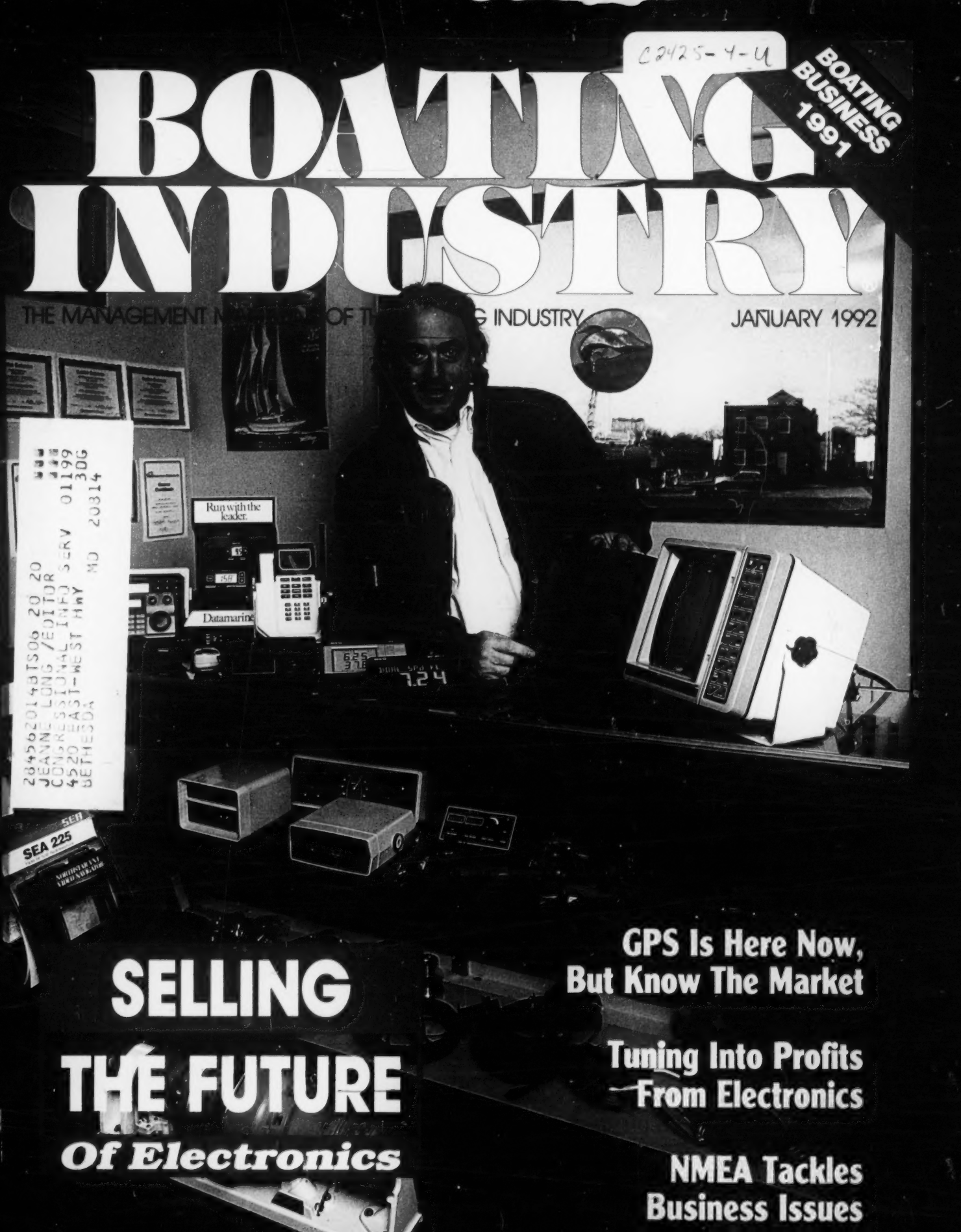
BOATING BUSINESS 1991

BOATING INDUSTRY

THE MANAGEMENT MAGAZINE OF THE BOATING INDUSTRY

JANUARY 1992



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SELLING THE FUTURE *Of Electronics*

GPS Is Here Now, But Know The Market

Tuning Into Profits From Electronics

NMEA Tackles Business Issues

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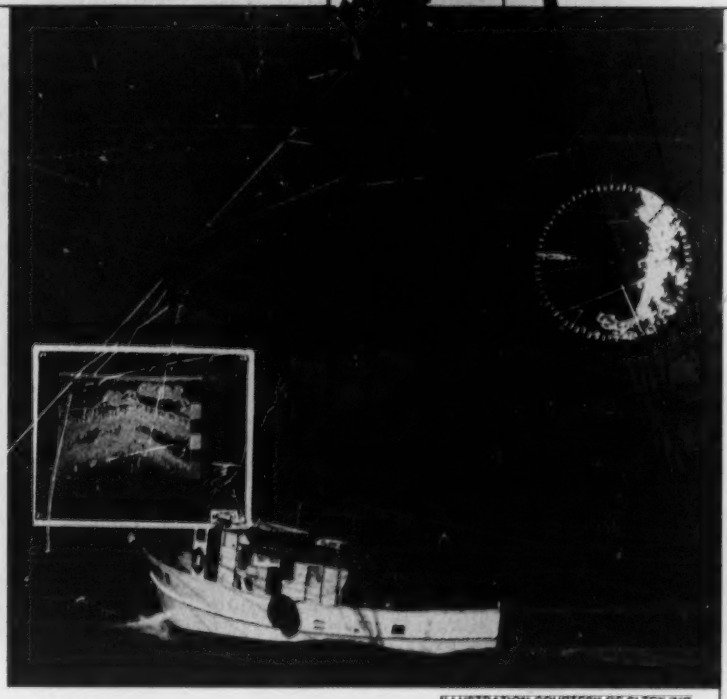

ILLUSTRATION COURTESY OF SI-TEX INC.

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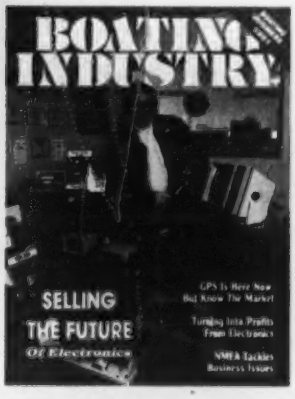

Cover

Sean Farrell, president of Maritech Marine Electronics in Stamford, Conn., and Mamaroneck, N.Y., demonstrates a chart plotter from Trimble Navigation. Farrell has found a lucrative niche installing high-end marine electronics packages in large custom yachts. Photo by Richard Porter.

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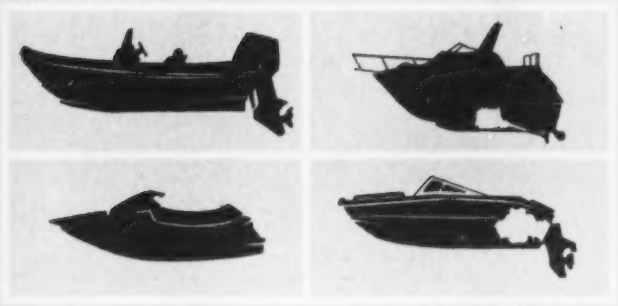
The Boating Business



1991

Sponsored By Hoechst Celanese

The recreational boating industry started off 1991 with three strikes already against it—new taxes on boating, the recession and the Gulf War. Considering the severity of these factors, it was not surprising to see a third straight year of decline in the marine industry. Still, few would have expected total retail boating expenditures to contract by **23.0** percent in 1991 after 10 and 20 percent declines, respectively, in 1989 and 1990.

As the year began, consumer confidence was reaching a low in the days before the war with Iraq. As a result, many of the important winter boat shows saw thin crowds and few big-ticket buyers. Consumers showed greater interest in lower-cost services, accessories and aftermarket products.

With the Allied victory in the Gulf, consumer confidence was revived just in time for the spring selling season. Still, doubts about the economy continued to dampen purchases of durable goods, including homes, cars, appliances and, of course, boats. Used boats and aluminum boats, the lowest-priced segments of the industry, fared best during the season. Many suppliers and retailers also reemphasized service and accessories in order to capitalize on the needs of existing boat owners.

The most significant damage done to the marine market in 1991 was wrought by the 10-percent "luxury tax" on the amount of a boat's price exceeding $100,000. Instituted on Jan. 1, 1991, the tax led to consumer confusion. Many mistakenly believed the tax kicked in at $30,000 (as was originally proposed and the point at which the auto luxury tax kicks in), and some even believed the tax to apply to all boats. Among potential boat buyers, the tax created a negative image of boating as an excessive lifestyle. Confirmed enthusiasts, meanwhile, took a wait-and-see approach in hopes that the tax would be repealed.

The results have been devastating. Wholesale sales in the inboard cruiser market (dominated by $100,000-plus yachts) have plummeted 52 percent from 1990 levels, and manufacturers, vendors and retailers have been forced to lay off more than 19,000 workers.

According to lobbyists at the National Marine Manufacturers Association and the Marine Retailers Association of America, there are strong prospects for repeal of the excise tax in early 1992. Both the House and Senate have passed non-binding resolutions calling for repeal of the tax, but, so far, lawmakers have avoided amendments and bills that would unravel the 1990 budget accord (which created the excise and user fee taxes). Unless Congress acts in early 1992, the industry's plight could be lost in election year politics.

Like the luxury tax, the boat user fee instituted in late summer by the Coast Guard has failed to generate even a fraction of the revenue lawmakers expected. Despite this fact, user fee repeal efforts have stalled. Future alternative revenue sources have been identified, but lobbyists say the fees may remain on the books for the next two years.

With or without tax repeals, industry analysts expect improved wholesale sales in 1992 given record low retail inventories. Though overall retail activity may recover more slowly, dealer ranks have thinned considerably. Surviving dealers are picking up increased market share and have reduced their dependence on boat sales.

THE YEAR IN REVIEW

January

☐ The 10-percent excise "luxury" tax on boat purchase amounts exceeding $100,000 becomes law on Jan. 1, 1991. The NMMA organizes the Coalition to Save Jobs in Boating, and political action committees begin forming in the top boating states.

☐ The war in the Persian Gulf casts a pall over the winter boat shows, reducing attendance and diminishing sales.

☐ The Coast Guard outlines its plan for instituting boat user fees, which were instituted along with the luxury tax as part of the 1990 budget accord.

☐ Increasing regulatory scrutiny and continued economic weakness lead to a generalized credit crunch that persists throughout the year. Though rates remain low, banks hesitate to approve loans for all but the best credit risks. The problem is particularly acute in the Northeast and in other economically depressed regions.

February

☐ Meeting at the Miami International Boat Show, leading sail industry retailers form the International Sailboat Dealers Association (ISDA). Much like the American Sail Advancement Program (ASAP), which was founded by the sailing trade at large in late 1990, the group is formed to address a perceived need for an active, independent sail industry voice.

☐ Michigan Representative Robert Davis introduces House Bill H.R. 534, which calls for repeal of the boat user fee. Meanwhile, Florida Ccongressman Clay Shaw introduces luxury tax repeal bill H.R. 951.

☐ Allied victory in the Persian Gulf boosts consumer confidence and eases concern about fuel availability in time for the spring selling season.

March

☐ Senators John Breaux of Louisiana, and John Chafee of Rhode Island, introduce Senate bill S. 649, calling for a repeal of the luxury tax.

April

☐ Meeting in Schaumburg, Ill., at its annual Executive Conference, the National Marine Distributors Association announces its plan to hold the Sales, Training, Education and Purchasing (STEP) Show in Denver, Colo., in August 1992. The accessories-only trade show is presented as an opportunity for accessory manufacturers and distributors to do business and educate personnel at the start of the model year.

May

☐ Outboard Marine Corp. of Waukegan, Ill., restructures its boat divisions for the second time in two years. Five plants are closed and 330 employees are laid off, including 40 executives.

June

☐ The Save Jobs in Boating Political Action Committee is formed by industry lobbyist Mick Blackistone. The PAC offers a political voice for non-members of NMMA and MRAA who are interested in fighting the luxury tax and other industry issues.

July

☐ Polar Equipment Industries wins a $34.8 million lawsuit against Brunswick Corp. The suit contends that Brunswick's Mercury Marine Division improperly cancelled Polar as its Alaskan distributor for Mariner outboard engines in 1986. Brunswick vows to appeal the decision.

☐ The Texas legislature passes a law requiring written dealer agreements. The state joins Louisiana, Michigan and Oklahoma in requiring written contracts between manufacturers and retailers.

August

☐ BOAT/U.S. files a lawsuit against the federal government seeking to strike down the boat user fee on statutory and constitutional grounds. Meanwhile, the Coast Guard admits that only 73,162 user-fee decals are purchased in the first 30 days of availability, less than 2 percent of the boating population.

September

☐ The IMTEC trade show in Chicago sees Airmar Technology Corp. and Interphase Technologies share NMMA's domestic IMTEC Innovation Award for their phased-array transducer and Matrix fishfinder. Yamaha Marine wins the international Innovation Award for its Hydradrive sterndrive, which features an hydraulic clutch.

October

☐ TransAmerica Commercial Finance Corp. of Chicago, Ill., buys G.E. Capital's Home and Recreational Financing Unit. The deal reportedly vaults TransAmerica to the number-one position in marine floorplan financing.

November

☐ The Senate overwhelmingly approves a non-binding resolution calling for repeal of the luxury tax, but House and Senate budget committees exclude amendments from an end-of-session tax bill, thereby dashing hopes for repeal in 1991. Lobbyists plot strategy for efforts in early 1992.

December

☐ Attending the MRAA's annual convention in Las Vegas, Brunswick Chairman Jack Reichert predicts a 10-percent increase in retail unit sales over 1991. Alan Revington of Volvo Penta and other leaders present at the event predict a slower market recovery.

Sources

The Chicago-based National Marine Manufacturers Association (NMMA) provides the most comprehensive and detailed statistics available in the marine industry. Its information is culled from 14 control groups composed of leading manufacturers sufficiently representative of their segments of the industry. Reporting companies, including new participants added at the beginning of each model year, report their product shipments to the retail level on a monthly basis.

Power Systems Research (PSR) is an international market research firm based in St. Paul, Minn. PSR specializes in the power products industries for on- and off-highway equipment. The company has marketed marine industry reports since 1987. PSR's engine estimates are based on research conducted among engine manufacturers, marinizers, distributors, transmission makers, boat builders and the U.S. Department of Commerce.

International Marine Holdings Inc. of Guilford, Conn., owns the world's leading mast and spar makers and has collected sailboat production figures from major manufacturers for more than two years. Production figures for 1991 are based on reports for the first six months of the year and projections of second-half production.

The National Sporting Goods Association (NSGA) conducts an annual study of U.S. recreational activities and sports participation. The data is based on an annual survey conducted among more than 50,000 U.S. households. The Mt. Prospect, Ill.-based organization offers data on the geographic, demographic, and participation characteristics of fishermen, power boaters, waterskiers, canoeists and sailors.

Additional data in this report is provided by the U.S. Coast Guard, the Chicago-based National Marine Bankers Association (NMBA), and the International Marina Institute in Wickford, R.I.

The Boating Business 1991

ACROSS THE COUNTRY

PEOPLE: 73,480,000 Americans participated in recreational boating in 1991, having used the waterways more than twice during the year.

BOATS: Approximately 16,248,000 pleasure craft were owned in the U.S. during 1991. This estimate is based on actual state and Coast Guard registrations of 10,996,253 boats, plus estimates of non-registered craft. Following is a breakdown of these boats by type of propulsion:

Outboard boats:	7,992,000
Inboard/outdrive boats:	1,721,000
Inboard boats (incl. aux. sail):	558,000
Sailboats (non-powered, excl. sailboards):	1,298,000
Open-deck boats:	244,000
Houseboats:	39,000
Miscellaneous (rowboats, dinghies, etc.):	4,396,000

ENGINES: Multiple-engine power installations, auxiliary engine applications and replacement motor sales boost engine ownership figues above those for boat ownership. Presented below is 1991 engine ownership data:

Outboard motors:	11,769,000
Inboard engines (gas & diesel):	2,591,000
Jet drives:	106,000

BOAT TRAILERS: Approximately 6,140,000 boat trailers were owned in 1991.

MARINE FACILITIES: The NMMA has verified the existence of 8,239 marine facilities, including marinas, boatyards, dockominiums, yacht clubs and parks. Experts believe that the actual total is approximately 10,000.

Marine facilities can have multiple identities. For example, a marina might also offer a boatyard and a dryland storage area. Another might serve exclusively as a dockominium. Facilities verified by the NMMA reported their function(s) as follows (note: total exceeds 100 percent):

Marinas	92%
Boatyards	11%
Yacht Clubs:	7%
Dryland Marinas:	2%
Dockominiums:	1%

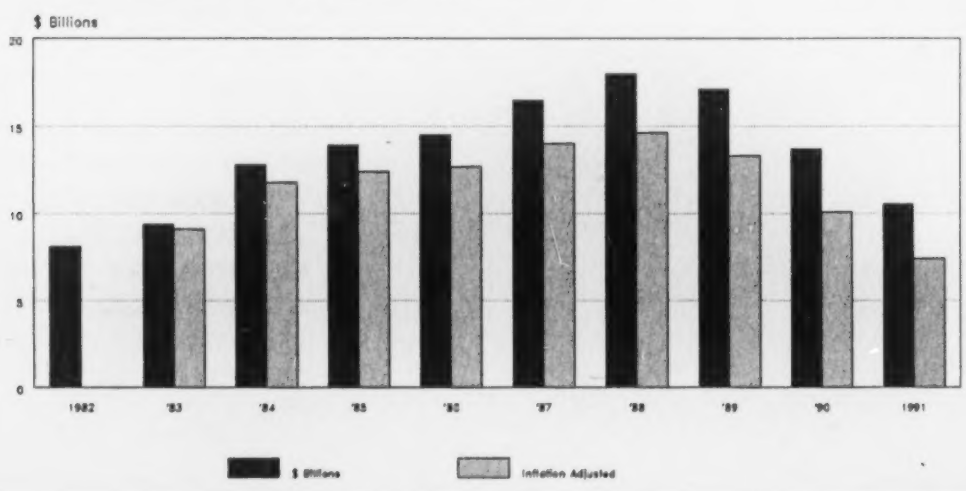
1991 SALES ESTIMATES: Listed below are wholesale unit sales estimates for boats, motors and trailers in model year 1991 (Aug. 1, 1990-July 31, 1991):

Outboard motors:	289,000
Outboard boats:	195,000
Inboard/outdrive boats:	73,000
Inboard (runabouts):	6,200
Inboard (cruisers):	3,600
Sailboats:	8,468
Pontoon boats:	21,500
Inflatable boats:	21,200
Personal watercraft:	68,000
Canoes:	72,300
Trailers:	133,000

1990 TOTAL INDUSTRY SALES

Approximately **$10,564,458,000** was spent at the retail level for new and used boats, motors, trailers, accessories, safety equipment, fuel, insurance, docking, maintenance, launching, storage, repairs and club memberships. The figure represents a **23.0** percent decline from 1990's $13,730,903,000 in retail expenditures. The table below also provides a historical analysis based on 1982 dollars. (Inflation rate is based on U.S. Consumer Price Index data).

TOTAL INDUSTRY DOLLARS AT RETAIL



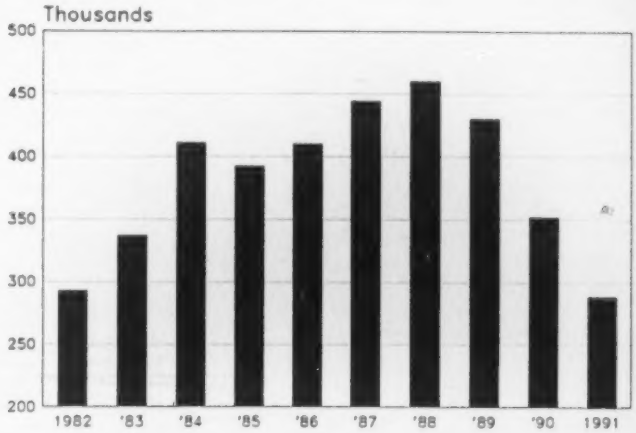
Outboard Motors

Outboard motor sales declined by **63,000** units in the 1991 model year to **289,000**, a **17.8** percent drop from 1990. Dollar sales declined by **$234,791,000**, or **15.1** percent. The average cost of an outboard increased by **3.3** percent during the year to **$4,537**, up from the 1990 average of $4,392.

Manufacturers moved a step further away from the loose outboard business in 1991. Mercury Marine instituted a new OEM program with select independent fishing boat companies, while Yamaha Marine increased its focus on direct sales to independent boatbuilders with its PrePaired Performance Program. Though it continues to focus on direct sales to dealers, Suzuki Marine signed cooperative marketing agreements with five boatbuilders in 1991.

This year's outboard sales figure—a post-WWII record low—was just below the 293,000 units sold during the last major recession in 1982. The peak year for outboard motor sales was back in 1956, when 642,000 motors were sold.

10-YEAR UNIT SALES

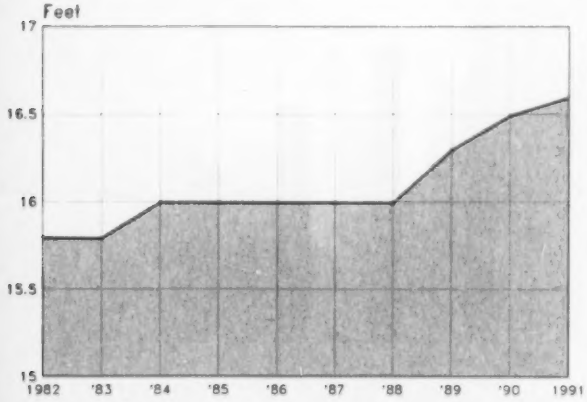


DOLLAR AND UNIT SALES

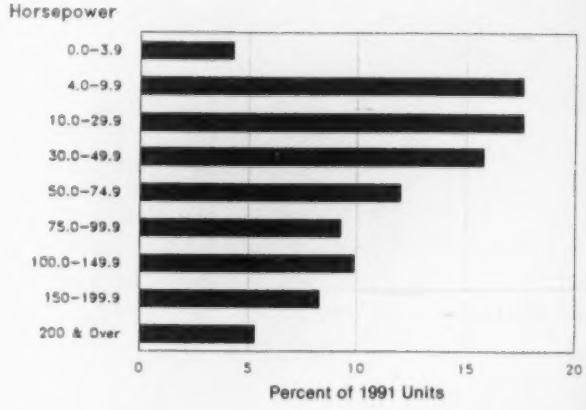
	1989	1990	1991
Total Units Sold	430,000	352,000	289,000
Retail Value	$1,764,290,000	$1,545,984,000	$1,311,193,000
Average Unit Cost	$4,103	$4,392	$4,537

Source: NMMA

AVERAGE HORSEPOWER



1991 UNIT PERCENTAGES BY HORSEPOWER



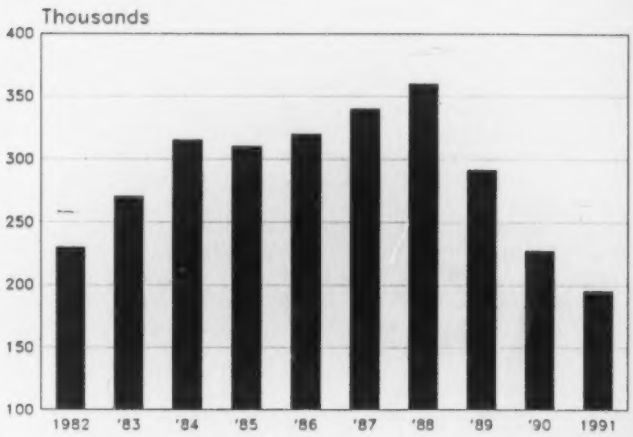
Outboard Boats

Outboard boat sales declined by **32,000** units to **195,000** in 1991, a **14.0** percent drop from the previous year. In terms of dollars, revenues declined by **10.0** percent to **$871,260,000**. Average unit costs increased by only **3.6** percent in 1991 to **$4,468**.

The outboard boat category fared better than any other major category in 1991—including outboard motors. This can be explained in part by the predominance of aluminum boats within this category. Given the lower average purchase price of aluminum boats and their heavy orientation toward fishing, this category typically fares well during recessionary times.

Despite the comparative strength of outboard boat sales, this year's sales represented a low not equalled since 1952, when approximately 175,000 units were sold. In addition, outboard boats have dropped to **70** percent of the total motorboat market in units. A decade ago, outboard boats were 78.0 percent of the powerboat market. Outboard boat sales peaked in 1973 at 448,000.

10—Year Unit Sales

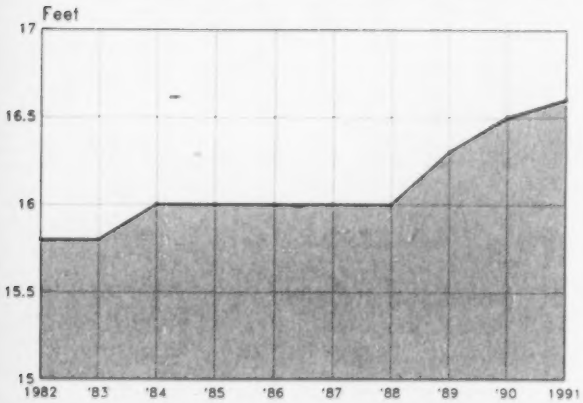


DOLLAR AND UNIT SALES

	1989	1990	1991
Total Unit Sales	291,000	227,000	195,000
Retail Value	$1,134,027,000	$978,143,000	$871,260,000
Average Unit Cost	$3,897	$4,309	$4,468

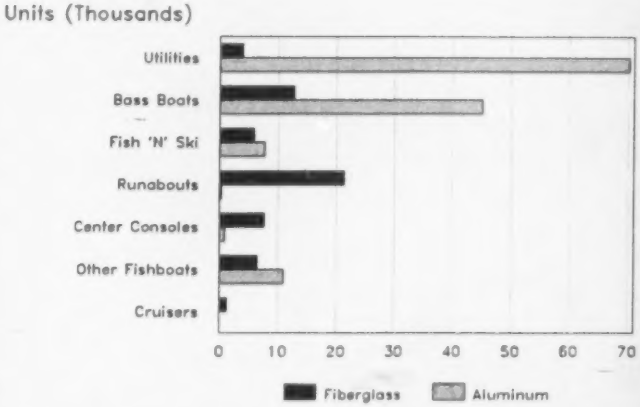
Source NMMA

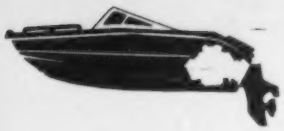
AVERAGE OUTBOARD BOAT LENGTH



1990 MODEL BREAKDOWN*

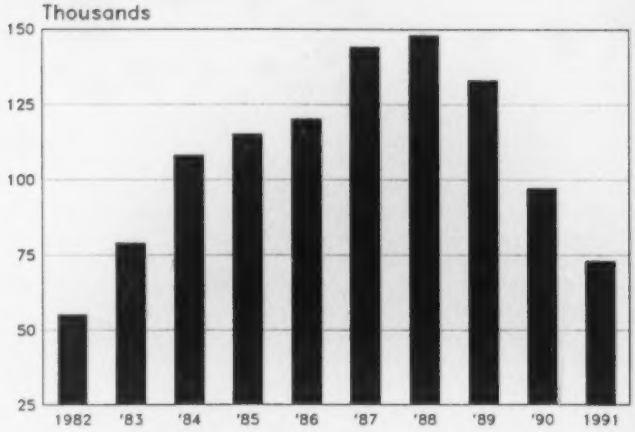
*Boating Industry Estimate





Inboard/Outdrive Boats

10-YEAR UNIT SALES



Sterndrive boat sales fell **24.0** percent in 1991 to **73,000** units, down 24,000 units from 1990. Dollar sales dropped **27.9** percent to **$1,292,903,000**, while average unit costs showed their first decrease in years. Average cost dropped **4.2** percent to $17,711.

Sterndrive boat unit sales have suffered successive 10.1, 27.0 and 24.0 percent declines in the past three years, but sales are still ahead of the 55,000 units sold during the last recession in 1982. Average unit costs dropped as manufacturers strived to offer more cost-competitive models in the face of tight market conditions.

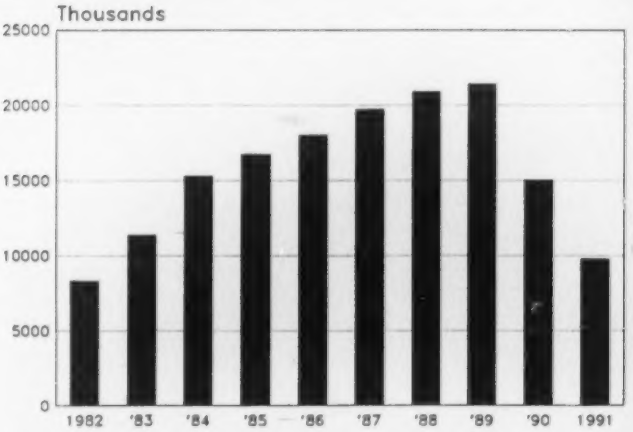
Since 1982, sterndrives have grown from 18.3 percent of the total powerboat market to **26.2** percent. Sterndrive boat sales peaked in 1988 at 148,000 units.

DOLLAR AND UNIT SALES

	1989	1990	1991
Total Units Sold	133,000	97,000	73,000
Retail Value	$2,345,100,000	$1,794,306,000	$1,292,903,000
Average Unit Cost	$17,632	$18,498	$17,711

Inboard Boats

10-YEAR UNIT SALES



The big story in the inboard boat market in 1991 is the devastating effect of the excise tax on boat purchase amounts exceeding $100,000. The tax is blamed for much of the **52.0** percent drop in inboard cruiser sales to a mere **3,600** units. Inboard runabouts, which are not in the luxury tax class, suffered only a **17.0** percent sales drop in 1991 to **6,200** units.

The situation for cruiser manufacturers went from bad to worse in 1991, having already suffered a 39.0 percent sales decline in 1990. Understandably, inboard cruiser unit costs leveled off in '91, with a slight **0.6** percent increase to **$185,670**.

DOLLAR AND UNIT SALES

	1989	1990	1991
Total Units Sold (Runabouts)	9,100	7,500	6,200
Average Unit Cost	$19,687	$17,684	$18,781
Total Units Sold (Cruisers)	12,300	7,500	3,600
Average Unit Cost	$155,200	$184,402	$185,670

Source: NMMA

Inboard Engines

Detailed below are estimated gas and diesel inboard engine sales to North American pleasure boat builders and aftermarket distributors during calendar year 1991. Combined sales of gas and diesel inboards dropped **26.6** percent in 1991, far less severe than the overall **34.0** percent drop in domestic inboard boat sales. This difference can be largely explained by the healthy export market for U.S.- and Canadian-made inboard cruisers.

Despite the differences between the domestic and international markets, the U.S. luxury tax on $100,000 plus yachts clearly made its mark on inboard engine sales. In the gas inboard category, sales of big-block engines of 300 horsepower and greater fell **66.0** percent. Meanwhile, 1,000 horsepower and larger diesel engines suffered a **49.0** percent decline in sales.

WHOLESALE UNIT SALES

	1989	1990	1991
Gasoline Inboards			
130-250 HP	12,275	9,675	8,550
251-300 HP	6,725	5,350	4,750
Greater than 300 HP	13,150	9,475	5,700
Total	32,150	24,500	19,000
Diesel Inboards			
75-200 HP	1,615	1,515	1,010
201-500 HP	4,035	4,430	2,625
501-1,000 HP	1,075	1,460	855
Greater than 1,000 HP	400	375	190
Total	8,725	7,780	4,680

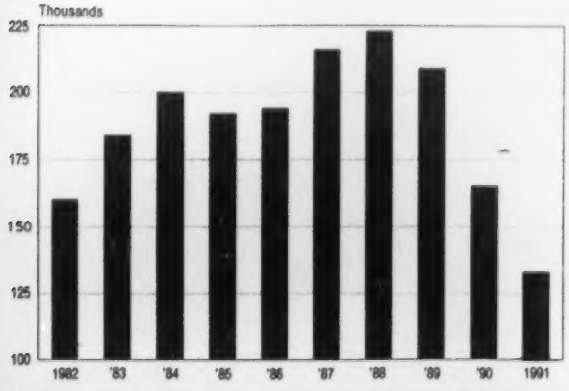
Source: PSR estimate of calendar year sales in U.S. and Canada.

Trailers

Trailer sales decreased **19.3** percent in 1991 to **133,000** units, a 32,000 unit drop from 1990 sales. Dollar sales declined **19.9** percent, with average unit prices falling **0.7** percent to $1,069.

Trailer manufacturers consolidated in 1991. While some closed their doors for good, others closed plants, formed alliances, bought out other companies or forged contracts with boatbuilders who, in turn, packaged trailers with boats.

10-YEAR UNIT SALES

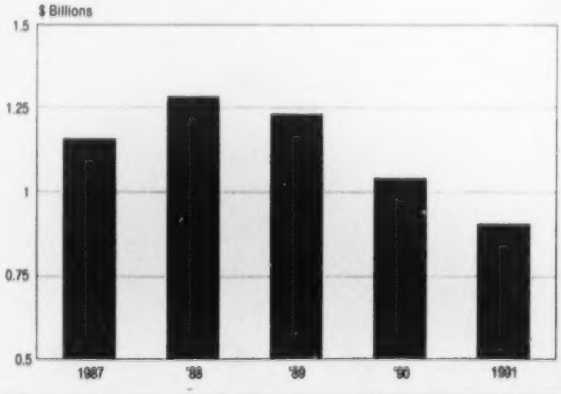


Marine Accessories

Accessory sales dipped **13.0** percent in 1991 to **$905,571,000**. Accessory sales held up better, percentagewise, than any other of the major marine market categories (canoes and personal watercraft excluded).

The major categories of accessories include electronics, marine hardware, marine controls, propulsion equipment, electrical equipment, cordage, sanitation equipment, heating and air conditioning equipment, sails, marine coatings, pumps and safety equipment. Accessory sales peaked in 1988 at $1.28 billion.

5-YEAR UNIT SALES



Sailboats

International Marine (IM) of Guilford, Conn., the leading supplier of mast and spars to sailboat makers, has compiled production statistics from the industry's leading builders for the past three years. These figures have become widely accepted as the most accurate available, and the National Marine Manufacturers Association has since suspended reporting on the sail industry.

IM's estimates of 1991 production are based on actual reporting during the first six months of '91 and on estimates of second half performance. These estimates show a **27.6** percent decline in production overall in 1991.

The over-60-foot segment suffered the steepest decline in production, with a **56.0** percent drop in units. A **33.0** percent decline was seen in the 36- to 40-foot segment, and a **32.5** percent decline was felt in the 30- to 35-foot segment. Ironically, the smallest decrease occurred in the 46- to 59-foot category, where production fell **15.0** percent to 72 units.

UNIT SALES

Length	1989	1990	1991
12'-19'	5,926	7,144	5,353
20'-29'	2,535	2,351	1,604
30'-35'	1,839	1,262	851
36'-40'	850	602	398
41'-45'	475	212	167
46'-59'	128	85	72
60' & Over	37	53	23
Total	11,790	11,709	(est.) 8,468

Source: IMHI

Auxiliary Sailboat Engines

Power Systems Research (PSR) of St. Paul, Minn., estimates that sales of auxiliary sailboat engines in the U.S. and Canada declined **31.0** percent in calendar year 1991 to **2,475** units. The biggest decrease, **33.3** percent, was suffered in the over 40 horsepower category, which dropped to 650 units. The smallest sales loss, percentagewise, was in the 9-18 horsepower segment, which dropped **30.3** percent to 975 units.

Note: Power System Research has revised its estimates of 1990 and 1989 production from the figures reported in *The Boating Business 1990.*

UNIT SALES

	1989	1990	1991
Auxiliary Outboards	1,300	1,300	900
Auxiliary Inboard Engines			
9-18 HP	1,525	1,400	975
19-40 HP	1,850	1,275	850
Over 40 HP	1,475	950	650
Total Inboards	4,850	3,625	2,475

Source: PSR

Personal Watercraft

Personal watercraft suffered a modest **5.5** percent dip in sales in 1991, a sign that this relatively new product category still has healthy long-term growth potential.

The marketplace witnessed a spate of new watercraft introductions in '91, with Polaris, Zodiac, Hot Sports and Boston Whaler offering new jet-powered products. According to Power Systems Research, sit-down style vehicles continue to gain ground over the stand-up market.

DOLLAR AND UNIT SALES

	1989	1990	1991
Total Units Sold	80,000	72,000	68,000
Retail Value	N/A	N/A	$355,104,000
Average Unit Cost	N/A	N/A	$4,928
Sit-down market share*	56%	69%	76%
Stand-up market share*	44%	31%	24%

Source: NMMA; *Market Share Analysis by PSR

Jet Drives

Power Systems Research estimates that jet drive sales dropped **15.0** percent in 1991. Mixed flow pumps accounted for **68.0** percent of the total market, while axial flow pumps held **32.0** percent market share. This analysis does not include the jet pumps used in personal watercraft.

Jet drive manufacturers include Berkeley, American Turbine, Dominator, Kodiac, Marine Power, Hamilton and others.

UNIT SALES

	1990	1991
Mixed flow	2,375	2,025
Axial flow	1,125	950
Total	3,500	2,975

Source: PSR

Generators

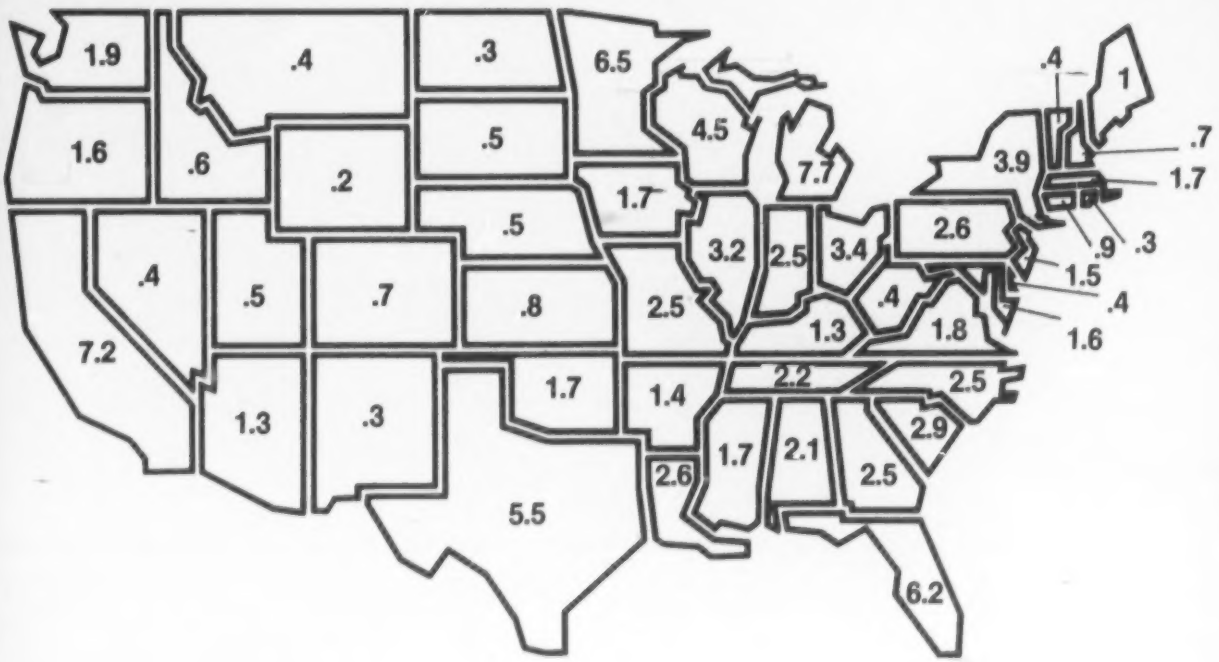
This category, which is closely tied to the big-boat market, suffered greatly in '91, with a **58.0** percent decline in gas generator sales and a **44.0** percent decline in diesel generator sales. Adding to the decline in generator sales, many OEMs stripped away accessories, such as generators, to keep prices below the $100,000 luxury tax kick-in point.

UNIT SALES BY KILOWATT RANGE

	1989	1990	1991
Gasoline			
<6.5 KW	775	675	375
6.5 - 7.5 KW	3,150	1,775	675
8 KW & Over	1,325	950	350
Total	5,250	3,400	1,400
Diesel			
4-6 KW	950	800	550
8 KW	2,900	1,575	925
> 8 KW	1,950	1,575	725
Total	5,800	3,950	2,200

Source: PSR

Distribution of 11,036,293 Registered Boats by State



Alaska	.3%	N. Marianas	.0%
Hawaii	.1%	Puerto Rico	.28%
American Samoa	.0%	Virgin Islands	.03%
Guam	.0%	District of Columbia	.06%

States	Population (thousands)	Total Registered Boats	% Of Total Registered Boats in the U.S.	One Boat Per () Persons	Sq. Miles Inland Water	Miles of Coastal Shoreline	EFFECTIVE BUYING INCOME Per Capita	Median Household	Total Households (thousands)	Total Households over $20,000 (thousands)
NEW ENGLAND—555,121 Registered Boats 5.05% of U.S. Total										
Connecticut	3,301.1	100,366	0.91%	32.9	147	618	18,244	36,961	1,236.0	923.6
Maine	1,238.3	112,599	1.02%	11.0	2,270	3,478	12,946	25,652	469.5	290.1
Massachusetts	6,042.2	186,338	1.69%	32.4	460	1,519	16,647	33,363	2,257.1	1,590.6
New Hampshire	1,127.2	82,035	0.75%	13.7	286	131	15,913	33,753	418.0	304.9
Rhode Island	1,008.9	31,931	0.29%	31.6	158	384	14,447	28,696	380.0	248.6
Vermont	568.0	41,852	0.38%	13.6	341	—	12,761	25,717	212.6	135.5
MIDDLE ATLANTIC—2,172,024 Registered Boats 19.75% of U.S. Total										
Delaware	673.2	40,139	0.37%	16.8	112	381	14,351	28,887	250.2	164.6
Dist. of Columbia	604.2	6,131	0.06%	98.5	—	—	17,653	26,962	248.4	155.4
Georgia	6,586.6	274,081	2.49%	24.0	854	2,344	12,692	26,342	2,407.6	1,468.3
Maryland	4,843.7	177,396	1.61%	27.3	623	3,190	16,499	36,408	1,771.9	1,326.5
New Jersey	7,768.8	164,539	1.50%	47.2	319	1,792	18,738	39,083	2,809.3	2,114.8
New York	18,065.5	425,756	3.87%	42.4	1,731	1,850	15,890	30,330	6,668.4	4,430.5
North Carolina	6,693.1	275,424	2.50%	24.3	3,826	3,375	12,052	23,488	2,542.7	1,459.9
Pennsylvania	11,912.4	286,826	2.61%	41.5	420	89	13,993	28,148	4,507.1	2,926.0
South Carolina	3,521.1	319,132	2.90%	11.0	909	2,876	11,307	23,666	1,271.3	734.1
Virgina	6,265.1	202,600	1.84%	30.9	1,063	3,315	14,763	30,504	2,320.3	1,584.4

States	Population (thousands)	Total Registered Boats	% Of Total Registered Boats in the U.S.	One Boat Per () Persons	Sq. Miles Inland Water	Miles of Coastal Shoreline	Per Capita	Median Household	Total Households (thousands)	Total Households over $20,000 (thousands)
GULF COAST—1,990,556 Registered Boats 18.10% of U.S. Total										
Alabama	4,056.1	231,985	2.11%	17.5	938	607	11,051	21,714	1,512.7	808.4
Florida	13,218.8	681,240	6.20%	19.4	4,511	5,095	13,958	25,914	5,250.4	3,236.0
Louisiana	4,206.7	288,011	2.62%	14.6	3,230	7,721	11,093	23,167	1,494.2	832.1
Mississippi	2,575.3	182,378	1.66%	14.1	456	359	9,838	19,768	912.2	451.7
Texas	17,167.6	606,942	5.52%	28.3	4,790	3,359	12,474	25,847	6,136.1	3,721.0
EAST CENTRAL—844,826 Registered Boats 7.68% of U.S. Total										
Arkansas	2,358.0	150,020	1.36%	15.7	1,109	—	10,915	20,361	894.3	454.3
Kentucky	3,687.3	139,852	1.27%	26.4	740	—	11,182	21,454	1,380.6	731.0
Missouri	5,145.1	272,442	2.48%	18.9	752	—	13,233	25,574	1,971.0	1,188.8
Tennessee	4,906.3	241,632	2.20%	20.3	989	—	12,075	23,644	1,865.1	1,066.8
West Virginia	1,780.3	40,880	0.37%	43.5	112	—	10,546	20,694	683.5	352.1
GREAT LAKES—3,062,709 Registered Boats 27.85% of U.S. Total										
Illinois	11,449.1	350,235	3.19%	32.7	700	—	15,048	31,119	4,207.6	2,857.0
Indiana	5,556.7	273,759	2.49%	20.3	253	—	12,273	25,982	2,069.8	1,283.3
Michigan	9,323.1	848,584	7.72%	11.0	1,573	—	13,489	28,505	3,429.6	2,225.9
Minnesota	4,412.0	714,802	6.50%	6.2	4,854	—	13,814	28,119	1,661.6	1,073.4
Ohio	10,864.4	378,249	3.44%	28.7	325	—	13,149	27,201	4,094.2	2,597.0
Wisconsin	4,912.1	497,080	4.52%	9.9	1,727	—	13,561	28,292	1,829.8	1,197.6
*Excludes the waters of the adjacent Great Lakes. Areas listed in sq. miles: Lake Michigan (22,178), Lake Erie (5,002), Lake Superior (21,118), Lake Huron (8,975).										
WEST COAST—1,180,545 Registered Boats 10.74% of U.S. Total										
California	30,353.0	792,930	7.21%	38.3	2,407	3,427	15,741	33,342	10,593.6	7,453.8
Oregon	2,863.5	173,572	1.58%	16.5	889	1,410	12,517	25,082	1,112.0	670.3
Washington	4,931.2	214,043	1.95%	23.0	1,627	3,026	14,507	29,612	1,897.9	1,255.9
MIDWEST MOUNTAINS—1,109,089 Registered Boats 10.09% of U.S. Total										
Arizona	3,740.0	143,334	1.30%	26.1	492	—	12,264	25,318	1,397.5	844.4
Colorado	3,321.1	80,549	0.73%	41.2	496	—	13,983	28,558	1,292.6	849.5
Idaho	1,009.4	64,180	0.58%	15.7	1,153	—	11,566	24,475	361.9	215.7
Iowa	2,770.3	192,645	1.75%	14.4	309	—	12,709	24,699	1,061.7	631.9
Kansas	2,491.1	90,255	0.82%	27.6	499	—	13,965	26,557	949.6	592.3
Montana	797.2	43,360	0.39%	18.4	1,657	—	11,208	22,572	305.1	169.7
Nebraska	1,579.4	58,683	0.53%	26.9	711	—	13,109	24,959	602.6	360.8
Nevada	1,244.1	42,694	0.39%	29.1	667	—	13,684	28,520	483.0	319.2
New Mexico	1,534.8	32,200	0.29%	47.7	258	—	10,667	21,961	550.2	298.0
North Dakota	636.2	36,186	0.33%	17.6	1,403	—	12,229	23,673	239.8	138.2
Oklahoma	3,143.0	188,781	1.72%	16.6	1,301	—	10,915	20,869	1,204.9	625.3
South Dakota	697.4	53,413	0.49%	13.1	1,164	—	11,886	21,826	259.4	139.8
Utah	1,738.8	59,869	0.54%	29.0	2,826	—	10,233	26,757	542.6	348.3
Wyoming	448.6	22,940	0.21%	19.6	820	—	12,008	26,618	167.1	105.0
NON-CONTIGUOUS—81,423 Registered Boats 0.74% of U.S. Total										
Alaska	554.5	30,911	0.28%	17.9	20,171	31,383	15,499	34,130	190.3	133.5
Hawaii	1,121.1	14,081	0.13%	79.5	46	1,052	15,274	34,997	360.0	262.4
American Samoa	—	128	0.00%	—	—	—	—	—	—	—
Guam	—	512	0.00%	—	—	—	—	—	—	—
N. Marianas	—	897	0.01%	—	—	—	—	—	—	—
Puerto Rico	—	31,159	0.28%	—	—	—	—	—	—	—
Virgin Islands	—	3,735	0.03%	—	—	—	—	—	—	—

Exports

Exports of American-made boats and marine products jumped for the fifth year in a row in 1990 (statistics are one year behind leading sales figures). Marine exports totaled **$792,716,000** in '90, up **22.0** percent over the previous year.

Japan became the number one export destination for marine products in 1990. Prodded on by lowered tariffs and government policies that favor development of leisure industries, the market for U.S. boats and the Japanese marine industry in general have grown dramatically. Led by boat export, U.S. marine goods sent to Japan totalled **$163,055,000**, a whopping **84.0** increase over 1989's total of 88,549,000.

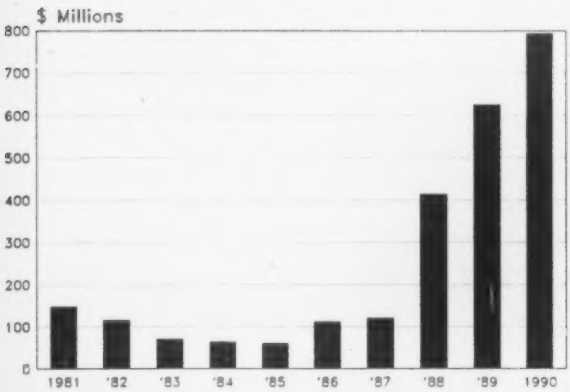
Exports to Canada also grew dramatically in 1990, increasing **30.0** percent to $126,311,000. The free trade agreement with Canada has encouraged some Canadian manufacturers to establish production facilities in the U.S. (in order to reduce costs) and then export product back to their home market. Recessionary conditions in Canada have also forced many domestic producers out of business.

Imports

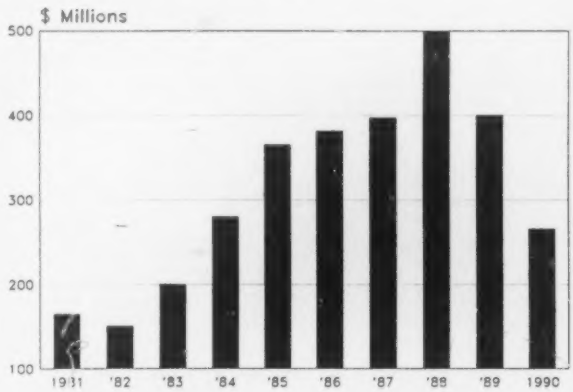
Imports of foreign-made marine goods into the U.S. fell for the second year in a row in 1990 (statistics are one year behind leading sales figures), with the total now at **$265,160,000**. The **34.0** percent drop is blamed on the weak U.S. dollar, defensive measures on the part of U.S. manufacturers and increased foreign-owned production here in the U.S.

Once again, the U.S. marine industry was a net exporter, with exports outstripping imports by **$527,555,000**. Imports from Japan fell **43.0** percent to **$37,221,000** in 1990, the second major decline for Japan in as many years. Taiwanese imports also fell dramatically, lowering **42.0** percent to **$51,325,000**.

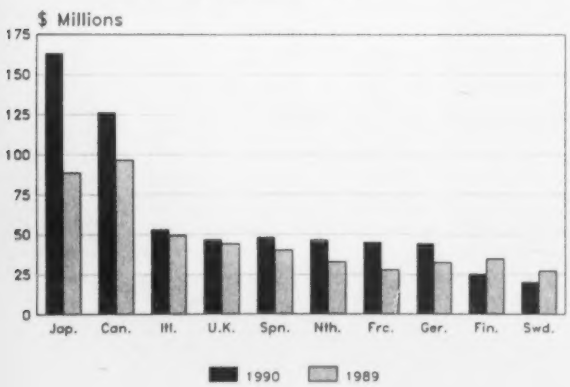
10-YEAR EXPORTS



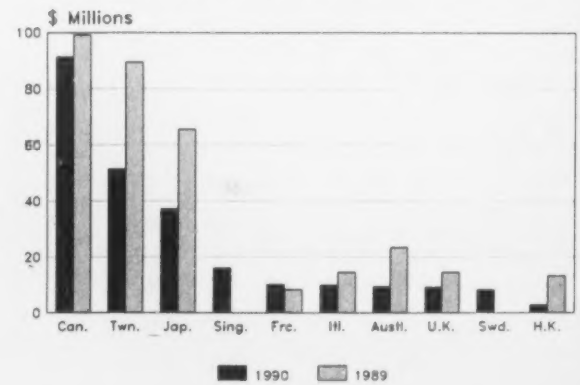
10-YEAR IMPORTS

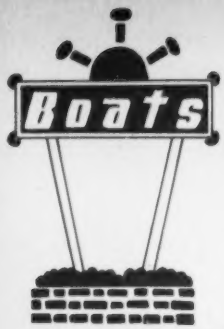


EXPORTS BY COUNTRY



IMPORTS BY COUNTRY





Marine Dealer

According to BOATING INDUSTRY surveys, the average marine dealer grossed just under **$1 million** during 1991, with sales breaking down as follows: **60** percent boats, motors and trailers; **12** percent parts and accessories; **11** percent service; **14** percent used boats; and **3** percent finance and insurance.

New-boat sales declined for a third year, a reflection of the recession in the greater economy. But boating retailers also attributed some of the blame for lower sales levels to federal tax legislation. The 10-percent excise tax on that portion of a new-boat's price exceeding $100,000, which became law at the start of 1991, saddled all boat purchases—regardless of price—with the image of a luxury tax in many consumer's minds. And many would-be buyers of larger craft actually subject to the tax either turned to the used-boat market or remained on the sidelines expecting repeal. This resulted in estimated domestic sales declines of more than 70 percent in the over-$100,000, new-boat category.

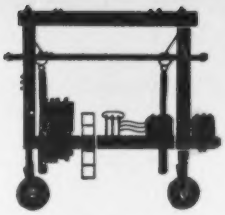
Retailers also labored under additional pressure from banking and finance institutions, themselves stung by huge losses in real estate loans and operating under tighter federal regulation. Some financial institutions simply left the boat market because the huge sales volumes of the mid-1980s were no longer there. Banks abruptly increased down-payment requirements for retail boat loans, although wide variations existed from state to state. On the wholesale financing side, banks in some cases demanded collateral from dealers beyond the actual boats being floorplanned.

Dealer margins on boat sales were also impacted by distressed merchandise put on the market by foreclosures. On a brighter note, many manufacturers were reporting record-low retail boat inventories by the end of the year.

During 1991, the MRAA, as well as the National Marine Manufacturers Association, lobbied heavily to repeal the boat excise tax and the Coast Guard boat user fee, a $25 to $100 annual tax on boats operated in areas under its jurisdiction. The MRAA also focused on programs to enhance dealer profitability, such as its low-cost automated credit card processing plan giving dealers next-day availability of funds.

Critical in the fight for repeal of the 10-percent excise tax were statistics compiled by the MRAA-affiliated Advisory Council of Marine Associations. Nineteen dealers in five key states reported that their sales of boats priced over $100,000 declined from 211 units in the first six months of 1990 to 48 during the same period in 1991—a $28,500,099 loss in revenues for just those retailers.

By year end, marine retailers numbered just over **10,000**, according to the MRAA, a decline of more than 35 percent from 1988 industry-peak levels. That population includes accessories-only retailers, marinas, service facilities and yards, as well as traditional boat-and-motor dealers.



Marinas & Boatyards

The continuing recession was the major factor affecting marine facilities in 1991. The marina and boatyard business is down 20 to 30 percent in most regions, though a few have stayed level. Inland lake marinas are doing well with boat rentals, perhaps indicating changing needs among Americans with less time and money to own their own boats.

The national slip surplus-increased slightly to 25-30 percent of supply, thus temporarily laying aside claims of unmet demand. This has nearly killed the already crippled dockominium business, with only a few projects still projects still doing well. Most of the boats not in use are being stored in backyards; when they return to the marinas, and the used boat inventory is sold, slips will fill again and shortages will return in the second half of the decade.

Another significant factor affecting marine facilities in 1991 was the creep of regulation. Several of this year's federal environmental initiatives will have a long-term effect on the industry. New EPA Stormwater Regulations are causing a major legal/financial dilemma for most marinas and boatyards that must register by spring as point sources polluters or face possible fines. In another initiative, environmental groups pushed Congress to target marinas for special non-point pollution controls.

The Handicap "Bill of Rights" received serious study by the States Organization for Boating Access (SOBA), which then issued a set of marina design standards for increasing handicap access to boating. The report, written by state marina officials with Federal funds, soon will be considered for adoption as national building codes (watch the Federal Register). At the same time, the US Fish & Wildlife Service wants to restrict all marina docks to a maximum 4-foot width. Marina owners need to wake up and take a hard look at these pending regulations.

Water quality is reported improving in most marina waters as the public, industry and governments work to reduce all types of pollutants. 1991 was a very "good" year for zebra mussels, spreading into almost every Great Lake and even jumping down the Ohio River, 500 miles south into Kentucky Lake. High-pressure washing of boat hulls and outdrives will become a more important profit center in freshwater marinas. Ironically, zebra mussels will play a major role in improving water clarity.

The marina industry has become more environmentally proactive, adopting safer cleaning practices, eliminating TBT bottom paint and discouraging discharge. Pumpouts are reasonably well used by freshwater boaters, but the question of no discharge into salt waters has yet to be discussed. Expect it soon. Canada debates putting gray water into holding tanks by adding galley and shower water under no discharge.

The overwhelming majority of boat owners used their boats to enjoy the waterways of America in 1991, and no recession can shake them all out. For those who give existing customers better service at competitive rates, 1992 can be a good year.

Financial Marketplace

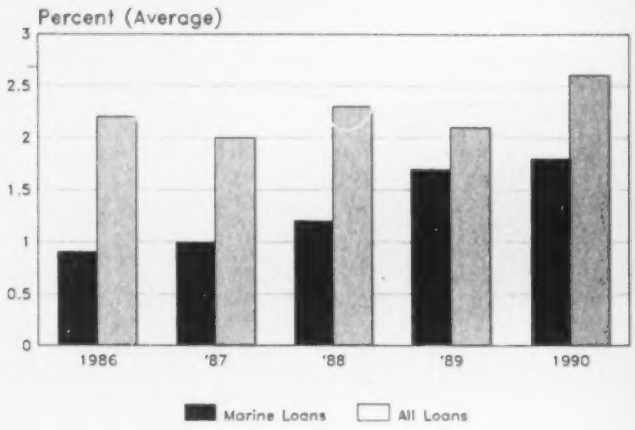
Sales declines caused attrition in the number of financial firms serving the recreational boating sector in 1990. Boat loan operations, like all consumer product financing, were also hampered by financial market turmoil.

At the close of 1990, the members of the National Marine Bankers Association (NMBA) held approximately **$5.5** billion in marine loans. Historically, marine loans represent 2.5 to 4.5 percent in units and 8 to 11 percent in dollars of NMBA member overall consumer loan portfolios.

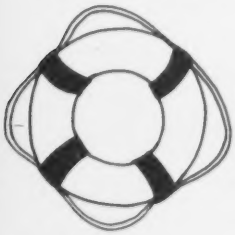
The average size of boat loans has stabilized at the **$20,000** dollar level. This means the marine lender's "most regular customer" is buying a boat and extras for about $25,000 and making a 20 percent downpayment. The drop in the average boat loan—from a high in excess of $30,000 in 1988—is also evidence that the smaller boat market has been the focus of many member's efforts in the past several years. Unit loan originations increase dramatically as the loan value of new of used boats decrease. The most common boat sold in the U.S. today is a "packaged" outboard-powered runabout with trailer retailing between $9,000 and $11,000.

Marine loan terms started slipping in 1990: direct loans trimmed one month to **121**, while indirect loans terms dropped four months to **112**. Turnover increased two months, to 45, in direct loans and held steady at 41 months for indirect loans. Higher downpayments have likely maintained terms, since lenders gain collateral comfort in lower loan amounts relative to sales price. Larger downpayments also make it easier for borrowers to pay off loans in shorter periods, thus maintaining boat loans traditionally short turnover times.

LOAN DELINQUENCY



Marine loan performance has remained solid. The latest NMBA report indicates all consumer loan delinquencies and charge-offs increased in 1990, including those for marine loans. However, the positive spread between marine and other loan types widened from year-earlier performance. Marine delinquencies of **1.8** percent were one-third less than all loans; marine charge-offs of **0.74** percent were lower by more than one-fifth. According to the Consumer Bankers Association, 1.74 percent of auto loans were delinquent at the end of 1990, and reported losses were .98 percent (net loss after recoveries).
Source: NMBA



Boating Safety

Accidents were up in 1990 (figures are one year behind leading sales figures), but boating fatalities reached another record low. The fatality rate now stands at **4.4** fatalities per year per 100,000 boats, with **865** boating-related deaths in 1990.

Accidents edged upward **5.4** percent in 1990, with **6,411** accidents reported to the Coast Guard during the year. The Coast Guard has long believed that its accident statistics are grossly underreported. An America Red Cross study of boating released in 1991 estimated that 290,799 vessels were involved in accidents in 1989; official Coast Guard figures put that figure at only 8,002. The Coast Guard has vowed to revamp its data gathering methods.

BOATING SAFETY 1990

	1988	1989	1990
Accidents reported to C.G.	6,718	6,063	6,411
Boats involved in accidents	8,981	8,020	8,591
Total fatalities	946	896	865
Fatalities per 100,000 boats	5.1	4.7	4.4

Source: U.S.C.G.

Boating Comparisons and Demographics

TOP-40 PARTICIPANT SPORTS

Rank/ Sport	Participants in millions
1. Exercise walking	71.4
2. Swimming	67.5
3. Bicycle riding	55.3
4. Fishing	**46.9**
5. Camping	46.2
6. Bowling	40.1
7. Exercising w/equipment	35.3
8. Boating (motor)	**28.6**
9. Billiards/pool	28.1
10. Basketball	26.3
11. Running/jogging	23.8
12. Aerobic exercising	23.3
13. Volleyball	23.2
14. Golf	23.0
15. Hiking	22.0
16. Softball	20.1
17. Hunting w/firearms	18.5
18. Tennis	18.4
19. Rollerskating/2 × 2	18.0
20. Dart throwing	16.4
21. Baseball	15.6
22. Football	14.5
23. Calisthenics	13.2
24. Target shooting	12.8
25. Table tennis	11.8
26. Skiing (alpine)	11.4
27. Soccer	10.9
28. Backpacking	10.8
29. Water skiing	**10.5**
30. Badminton	9.3
31. Canoeing	**8.9**
32. Croquet	8.2
33. Racquetball	8.1
34. Skateboarding	7.5
35. Ice/figure skating	6.5
36. Archery	5.6
37. Skiing (cross country)	5.1
38. Sailing	**4.9**
39. Mtn./rock climbing	4.7
40. Rollerskating/In-line	3.6

Source: NSGA

WATERSPORTS DEMOGRAPHICS

JANUARY-DECEMBER 1990
(PRESENTED IN THOUSANDS)

		Household Income					Market Size (000)			
	Total	Under $15,000	$15,000-$24,999	$25,000-$34,999	$35,000-$49,999	$50,000 Plus	Non-Metro	50-499	500-2499	2500+
TOTAL U.S. POP.	227,382	51,834	38,802	34,605	44,907	57,232	52,792	51,607	85,322	37,659
	100.0	22.8	17.1	15.2	19.7	25.2	23.2	22.7	37.5	16.6
	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
SPORTS PARTICIPATED IN:										
FISHING-FRESH WATER	41,495	9,390	7,372	7,144	8,717	8,872	13,860	10,846	12,956	3,835
	100.0	22.6	17.8	17.2	21.0	21.4	33.4	26.1	31.2	9.2
	18.5	17.7	19.2	21.4	19.7	15.9	26.0	20.7	15.7	10.5
FISHING-SALT WATER	12,281	2,549	2,151	1,424	2,149	4,007	2,332	3,228	4,415	2,307
	100.0	20.8	17.5	11.6	17.5	32.6	19.0	26.3	35.9	18.8
	5.5	4.8	5.6	4.3	4.9	7.2	4.4	6.2	5.3	6.3
POWER BOATING	25,588	3,436	4,118	4,706	6,758	9,570	6,604	7,186	10,391	4,407
	100.0	12.0	14.4	16.5	23.6	33.5	23.1	25.1	36.3	15.4
	12.6	6.6	10.6	13.6	15.0	16.7	12.5	13.9	12.2	11.7
WATER SKIING	10,467	750	1,406	1,829	2,879	3,604	2,288	2,314	4,281	1,584
	100.0	7.2	13.4	17.5	27.5	34.4	21.9	22.1	40.9	15.1
	4.6	1.4	3.6	5.3	6.4	6.3	4.3	4.5	5.0	4.2
CANOEING	8,923	1,025	1,216	1,578	2,076	3,029	2,354	2,314	3,048	1,206
	100.0	11.5	13.6	17.7	23.3	33.9	26.4	25.9	34.2	13.5
	3.9	2.0	3.1	4.6	4.6	5.3	4.5	4.5	3.6	3.2
SAILING	4,929	412	574	632	1,026	2,285	527	1,261	2,082	1,059
	100.0	8.4	11.6	12.8	20.8	46.4	10.7	25.6	42.2	21.5
	2.2	0.8	1.5	1.8	2.3	4.0	1.0	2.4	2.4	2.8

Source: NSGA